

Message Text

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PAGE 01 OECD P 12614 082015 Z

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

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SUBJ: OECD SHORT- TERM ECONOMIC FORECASTERS: MEASUREMENT OF
POTENTIAL OUTPUT, MAY 3-4

REF: A OECD 11213; B OECD A-59 C OECD A-15

1. SUMMARY SECRETARIAT'S ANALYTICAL WORK ON MEASURE-
MENT OF POTENTIAL OUTPUT FOR OECD COUNTRIES WAS
SEVERELY CRITICIZED BY SEVERAL KEY DELS, NOTABLY US
AND FRENCH. SECRETARIAT, NEVERTHELESS, PROPOSED TO
CONTINUE ITS WORK MORE OR LESS ON PRESENT BASIS.
IT ASKED FOR DELS' WRITTEN COMMENTS WITHIN ONE MONTH
IN ORDER BE ABLE TO PRESENT FINAL WORK TO EPC' S WP-3
BY END JUNE. END SUMMARY.

2. SHORT- TERM FORECASTERS WERE ASKED TO GIVE VIEWS
ON SECRETARIAT'S ANALYTICAL WORK ON MEASUREMENT OF
POTENTIAL OUTPUT (DOCUMENTS NOTED REF A) WHICH PRE-
VIOUSLY DISCUSSED BY SOME COUNTRIES IN OCTOBER 72
MEETING OF EPC' S WP-3. US REPS (NOTABLY JUNZ- FRB-
AND SCHOTTA AND LEDERER- TREASURY) CRITICIZED
SECRETARIAT'S WORK ON VARIETY OF MAJOR TECHNICAL GROUNDS
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(SUCH AS TYPE OF PRODUCTION FUNCTIONS, QUALITY OF STATISTICAL TESTING, ASSUMPTION OF NEUTRAL TECHNOLOGY AND GENERALLY UNSOPHISTICATED ECONOMETRIC WORK). US REPS NOTED THAT PRIOR SUGGESTIONS ON METHODOLOGY HAD NOT BEEN FOLLOWED. FRENCH REPS COMPLAINED THEIR EARLIER REMARKS ALSO NOT HEEDDED.

3. JAPANESE REPS DISAGREED WITH SECRETARIAT' S PRODUCTION FUNCTION FOR ESTIMATING JAPAN' S POTENTIAL OUTPUT. GERMAN REP NOTED THAT IT DIFFICULT TO SEPARATE PURELY TECHNICAL MEASUREMENT OF OUTPUT FROM POLITICAL OBJECTIVES. DUTCH REP ALSO HAD MISGIVINGS ABOUT SOME OF SEC.' S STATISTICAL APPROACH, E.& M, NO ALLOWANCE FOR " SCALING EFFECTS".

4. SECRETARIAT (MARRIS) ASKED THAT DELS PROVIDE THEIR WRITTEN COMMENTS WITHIN ONE MONTH' S TIEM. HE SAID THAT WHILE THERE COULD BE ENDLESS DEBATE ABOUT PRODUCTION FUNCTIONS, SECRETARIAT WAS UNDER PRESSURE FROM WP-3 TO PROVIDE INPUT TO LATTER' S CONTINUED DISCUSSION OF CYCLICALLY ADJUSTED CURRENT BALANCES. MARRIS SAID TIME WAS COMING ALSO WHEN SECRETARIAT' S WORK SHOULD BE EXPOSED TO WIDER FORUM (I. E. PUBLICATION?). DUTCH DEL THOUGHT PUBLICATION WOULD PROVIDE OUTSIDE HELP FROM WHICH SECRETARIAT' S ANALYSIS COULD PROFIT. BOTH US AND FRENCH DELS CAUTIONED SECRETARIAT IN GENERAL AGAINST TOO PRECIPITOUS ACTION. US REP ALSO ASKED SECRETARIAT, IN PRESENTING WORK TO WP-3, TO NOTE RESERVATIONS RAISED IN S/ T FORECASTERS.

5. IN MENTIONING SOME OF CURRENT WORK BEING DONE ON MEASUREMENT OF US POTENTIAL OUTPUT, US REP (FOSS, CEA) SUGGESTED ANY FUTURE DISCUSSION OF POTENTIAL OUTPUT MEASUREMENT MORE APPROPRIATE IN EPC' S WP-2 THAN IN SHORT- TERM FORECASTERS.
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